

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SSO-00 SS-15 PM-04 /030 W

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TO SECSTATE WASHDC IMMEDIATE 4090

INFO SECDEF WASHDC

USCINCEUR

CHUSMTM

S E C R E T JIDDA 2004

SECDEF FOR ASD/ISA

E.O. 11652: GDS

TAGS: MASS, MARR, SA, US

SUBJECT: I-HAWK MISSILE SYSTEM FOR SAUDI ARABIA

REF: JIDDA 1994

1. THIS MORNING (MARCH 18) GLENN GRUBBS, VICE PRESIDENT OF RAYTHEON AND PRINCIPAL NEGOTIATOR ON I-HAWK CONTRACT, AND ROY CARVER, RAYTHEON MANAGER FOR SAUDI ARABIA, HAD A DISCUSSION WITH DCM HORAN AND POL/MIL OFFICER LEWIS ON THE QUESTION OF WHETHER PENDING LEGISLATION WOULD REQUIRE THE I-HAWK CONTRACT TO BE FMS.

2. RAYTHEON'S CONCERN STEMS FROM TWO FACTORS: 1) UNCERTAINTY OVER LANGUAGE OF LEGISLATION AND 2) RATHER STRONG FEELINGS AGAINST GOING FMS OF MAJOR (PRINCE) KHALID BIN SULTAN, ARMY AIR DEFENSE PROGRAM DIRECTOR. (PRINCE KHALID IS THE SON OF MINDEF PRINCE SULTAN.)

3. AS REPORTED BY GRUBBS AND CARVER, KHALID IS ANXIOUS TO PRESERVE A GOVERNMENT-TO-CONTRACTOR RELATIONSHIP AND FEELS THAT SINCE THE INITIAL PACKAGE WAS GOVERNMENT-TO-CONTRACTOR THE I-HAWK OUGHT TO BE SAME. KHALID ALSO DOES NOT RPT NOT LIKE THE NOTION OF HAVING US MILITARY ADVISORS WITH MANAGEMENT AUTHORITY IN A PROJECT THAT HE CONSIDERS HIS OWN. (CARVER COMMENTED THAT CHANGING TO FMS

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MIGHT GREATLY COMPLICATE THE PERSONAL ATMOSPHERE WITHIN THE PROJECT.)

4. THOUGH GRUBBS SAID THAT RAYTHEON IS PREPARED TO GO FMS AND WILL NOT RPT NOT ATTEMPT TO RUSH NEGOTIATIONS IN ORDER TO SIGN A CONTRACT TO BEAT THE LEGISLATION, HE MADE IT CLEAR THAT RAYTHEON, TOO, PREFERS THE PRESENT ARRANGEMENT. HE ALSO ASKED WHETHER AN EXCEPTION COULD BE MADE, NOT RPT NOT NECESSARILY IN RAYTHEON'S NAME BUT RATHER ON THE BASIS THAT THE NEGOTIATIONS HAD PROCEEDED SO FAR ON THE ASSUMPTION THE CONTRACTOR WOULD BE GOVERNMENT-TO-CONTRACTOR.

5. HE LEFT A COPY OF THE FOLLOWING LETTER:

KINGDOM OF SAUDI ARABIA	NO. 270/1/1/2
MINISTRY OF DEFENSE & AVIATION	15-3-1396
AIR DEFENSE COMMAND	15 MARCH 1976

MR. PHILIP A. PHALON
VICE PRESIDENT
INTERNATIONAL AFFAIRS
RAYTHEON

DEAR MR. PHALON:

REFERENCE YOUR PROPOSAL DATED 14 NOVEMBER 1975, I WISH TO INFORM YOU THAT THIS MINISTRY, IN VIEW OF ITS PRESENT SATISFACTORY CONTRACTUAL

RELATIONS WITH YOU, IS SERIOUSLY REVIEWING THIS PROPOSAL FOR THE PURPOSE OF EXECUTING A CONTRACT WITH YOU IF AN AGREEMENT IS REACHED IN REGARD TO THE TASKS, PRICES, AND OTHER DETAILS CONTAINED IN MTHE PROPOSAL.

WITH MY REGARDS

SULTAN BIN ABDULAZIZ
MODA & INSPECTOR GENERAL

CC: CHIEF OF U.S.M.T.M.

6. WHEN ASKED WHETHER THE ISSUE OF AGENT'S FEES AFFECT RAYTHEON'S PREFERENCE, GRUBBS SAID NO RPT NOT. HE SAID THAT RAYTHEON'S
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INTERPRETATION OF THE SAG
COUNCIL OF MINISTERS' DECREE ON AGENT'S FEES IS THAT NONE RPT NONE COULD BE PAID ON DEFENSE HARDWARE BUT THAT FEES - CLEARLY IDENTIFIED AS TO AMOUNTS AND RECIPIENT - COULD BE PAID ON DEFENSE SUPPORT CONTRACTS, IE; TRAINING AND MAINTENANCE.

7. DCM INFORMED GRUBBS THAT WHEN SIMILAR ISSUE ABOUT AGENTS' FEES HAD BEEN RAISED WITH PRINCE ABDULLAH,

PRINCE HAD COME OUT AGAINST AGENTS' FEES OF ANY SORT. IT SEEMED
LIKELY TO EMBASSY THEREFORE THAT IF QUESTION OF FEES FOR HARDWARE/
SERVICES CAME UP FOR A MODA PROJECT, MODA DECISION WOULD BE AFFECTED
BY ABDULLAH'S PRECEDENT.
PORTER

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Margaret P. Grafeld
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